



Third Quarter 2013 Operational and Financial Results Conference Call



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London, United Kingdom
8 November 2013

Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- changes in the balance of oil and gas supply and demand in Russia and Europe;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the face of restrictions on our access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- inherent uncertainties in interpreting geophysical data;
- commercial negotiations regarding oil and gas sales contracts;
- changes to project schedules and estimated completion dates;
- potentially lower production levels in the future than currently estimated by our management and/or independent petroleum reservoir engineers;
- our ability to service our existing indebtedness;
- our ability to fund our future operations and capital needs through borrowing or otherwise;
- our success in identifying and managing risks to our businesses;
- our ability to obtain necessary regulatory approvals for our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of, and changes in, the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, the Cabinet and the Prosecutor General and his office;
- the effects of international political events;
- the effects of technological changes;
- the effects of changes in accounting standards or practices; and
- inflation, interest rate and exchange rate fluctuations.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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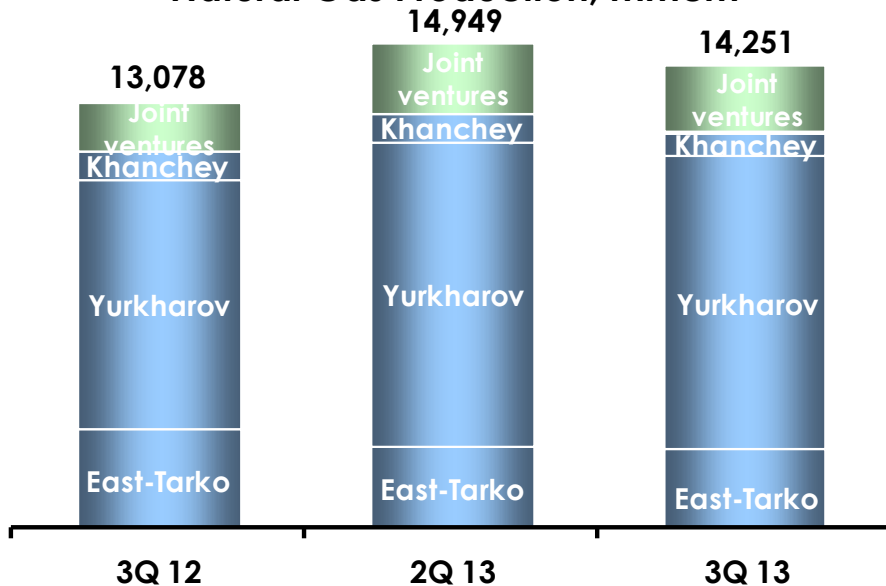
Summary Highlights – 3Q 2013

- ❑ **Increase in revenues** driven by higher natural gas prices and sales volumes, as well as the commencement of the Ust-Luga Complex products sales:
 - Natural gas sales increased Y-o-Y by 46.3% and Q-o-Q by 16.5%
 - Liquids sales increased Y-o-Y by 40.5% and Q-o-Q by 71.0%
- ❑ **EBITDA increased** Y-o-Y by 30.3% and Q-o-Q by 55.6%
- ❑ **Cash flow from operations increased** Y-o-Y by 9.1% to RR 25,992 million from RR 23,821 million
- ❑ **Capital expenditures increased** Y-o-Y by 41.8% to RR 16,276 million
- ❑ **EPS increased** Y-o-Y by 17.5% and Q-o-Q by 102.4% to RR 7.75
- ❑ **Natural gas production** (including our proportionate share in JVs) **increased** Y-o-Y by 9.0%
- ❑ **Liquids production** (including our proportionate share in JVs) **increased** Y-o-Y by 14.6%
- ❑ **Purovsky Plant output** increased Y-o-Y by 23.9%
- ❑ We **commenced our gas condensate refined products sales** and sold 690 mt of naphtha, jet fuel, gasoil and fuel oil to international markets

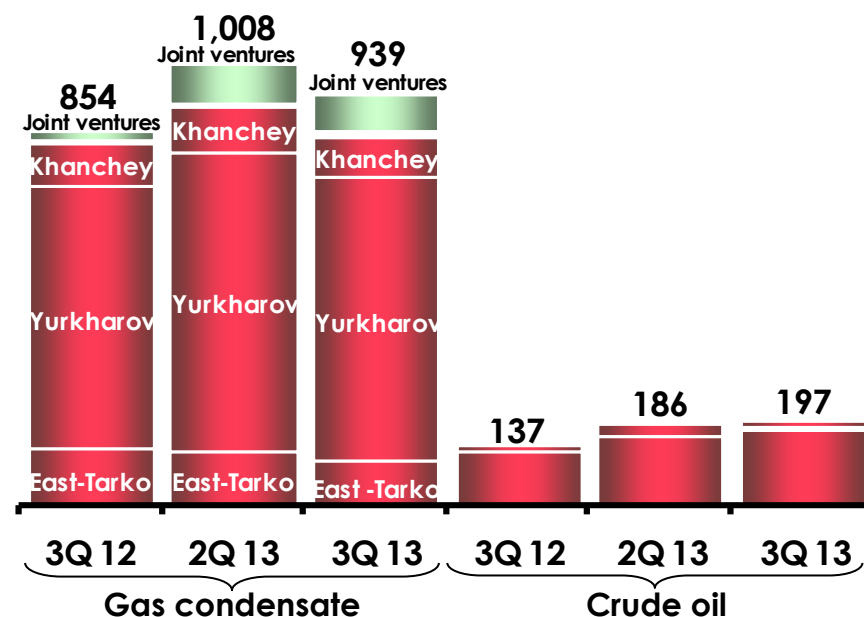
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



Natural gas production increased Y-o-Y due to:

- Increased production at Yurkharov resulting from ongoing field development and the launch of the 4th stage of the 2nd phase development in October 2012
- Partially offset by a decrease in natural gas production at East-Tarko as a result of the Groups' decision to optimize the production of liquid hydrocarbons

Liquids production increased Y-o-Y due to:

- Increase in crude oil production at our East-Tarko and Khanchey fields due to technological works performed at these fields
- Increase in liquids production at Yurkharov due to the optimization of our liquid hydrocarbons production
- Partially offset by a slight decrease in gas condensate production at Khanchey and East-Tarko due to natural declines in the concentration of gas condensate in extracted gas

Increased proportionate share in the production of our joint ventures resulted from the acquisition of a 49% ownership interest in Nortgas in November 2012 (subsequently increased to 50%) and the launch of the Samburgskoye field's 2nd phase development in December 2012 in SeverEnergia

Purovsky Plant & Sea Port Terminals

- ❑ **Total volumes delivered: 1,151 mt**
 - Yurkharovskoye field: 649 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 221 mt
 - Purchases from our joint ventures: 272 mt
 - Other: 9 mt
- ❑ **Total plant output: 1,137 mt**
 - Stable gas condensate (SGC): 878 mt
 - LPG: 255 mt
 - Methanol: ~ 4 mt
- ❑ **146 mt of SGC were dispatched from Vitino and Ust-Luga Sea Port Terminals to the Asia Pacific Region**
- ❑ **714 mt of SGC were sent for further processing to the Ust-Luga Complex**
- ❑ **SGC inventory reconciliation**
 - Rail road cisterns and Ust-Luga port storage facilities ~ 139 mt
 - Purovsky Plant storage facilities ~ 22 mt
- ❑ **Export sales volumes of LPG: ~ 60% of total LPG sales volumes**

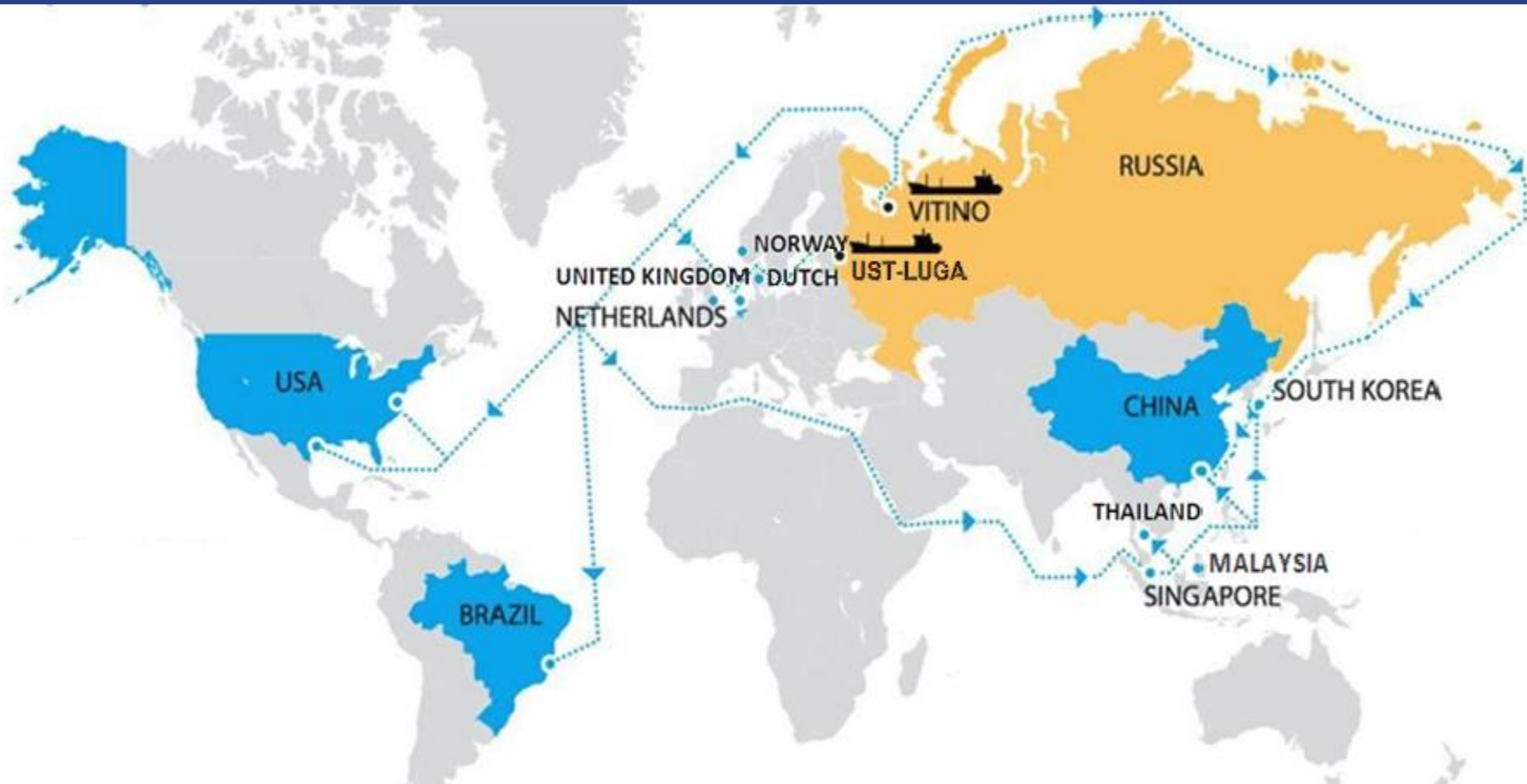


Ust-Luga Complex

- ❑ **Total volumes processed: 714 mt**
- ❑ **761 mt of gas condensate refined products were dispatched**
 - to the Asia Pacific Region ~ 633 mt
 - to Europe ~ 128 mt
- ❑ **Liquids inventory reconciliation**
 - Ust-Luga Complex storage facilities ~ 66 mt (incl. 24 mt of SGC)
 - Tankers in transit ~ 151 mt of naphtha



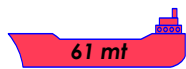
Liquids in Transit



“Goods in transit”
30.09.2012
~ 122 thousand tons



South Korea
(SGC)

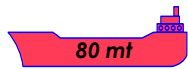


South Korea
(SGC)

“Goods in transit”
30.06.2013
~ 140 thousand tons

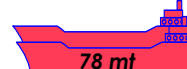


South Korea
(SGC)

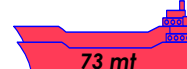


South America
(Naphtha)

“Goods in transit”
30.09.2013
~ 151 thousand tons



Japan
(Naphtha)



Singapore
(Naphtha)

Financial Overview – 3Q 13 vs. 3Q 12

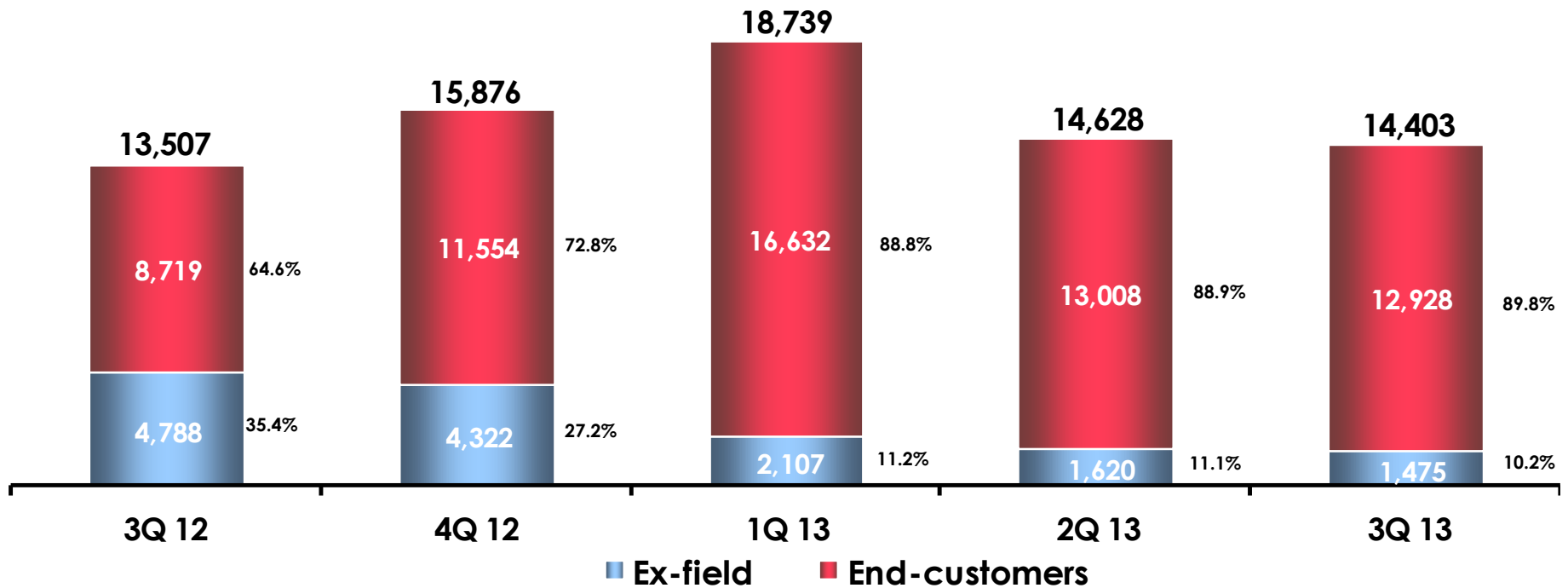
Comparison of Quarterly Results (RR million)

	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13	Q-o-Q +/- %	Y-o-Y +/- %
Oil and gas sales	52,345	59,262	80,448	57,918	75,541	30.4%	44.3%
Total revenues	52,514	59,438	80,565	58,030	75,648	30.4%	44.1%
Operating expenses	(29,628)	(38,013)	(51,056)	(39,613)	(47,080)	18.8%	58.9%
EBITDA ⁽¹⁾	25,252	25,223	33,020	21,141	32,893	55.6%	30.3%
EBITDA margin	48.1%	42.4%	41.0%	36.4%	43.5%		
Effective income tax rate ⁽²⁾	20.9%	13.9%	19.8%	19.9%	19.8%		
Profit attributable to NOVATEK	20,003	18,547	22,826	11,602	23,458	102.2%	17.3%
Profit margin	38.1%	31.2%	28.3%	20.0%	31.0%		
Earnings per share	6.59	6.11	7.53	3.83	7.75	102.4%	17.5%
CAPEX ⁽³⁾	11,480	12,285	11,264	17,393	16,276	-6.4%	41.8%
Net debt ⁽⁴⁾	67,187	114,067	109,184	127,658	130,408	2.2%	94.1%

Notes:

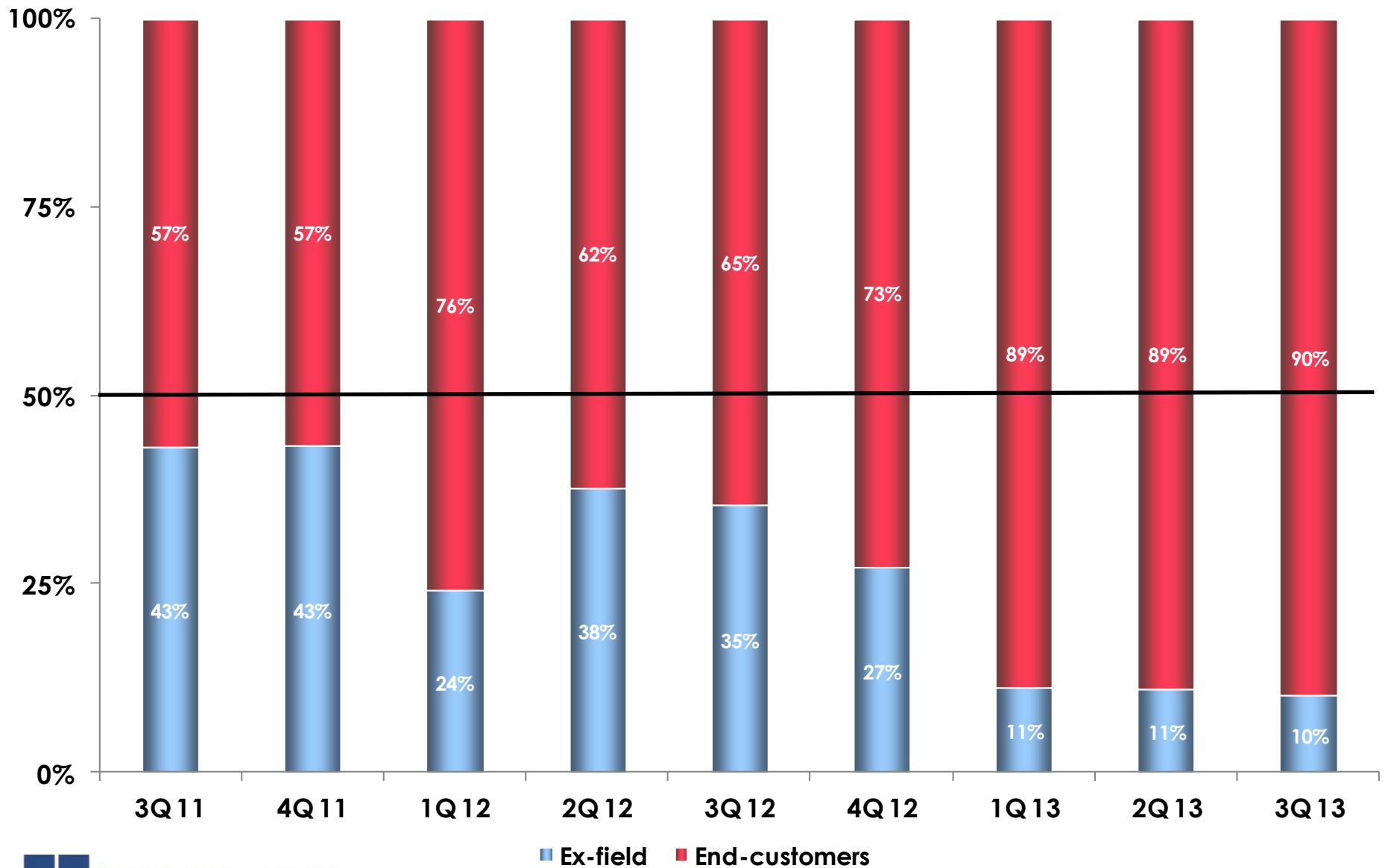
1. EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense and finance income (expense) from the Consolidated Statement of Income, income (loss) from changes in fair value of derivative financial instruments from the "Financial instruments and financial risk factors" in the notes to the IFRS consolidated financial statements
2. In 2012, one of the Group's investment projects in the YNAO was included by the YNAO authorities in the list of priority projects, which allows the Group's subsidiary, that carried out the project, to apply for a reduced income tax rate of 15.5%
3. CAPEX represents additions to property, plant and equipment excluding prepayments for participation in tenders for mineral licenses
4. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Market Distribution – Gas Sales Volumes (mmcm)

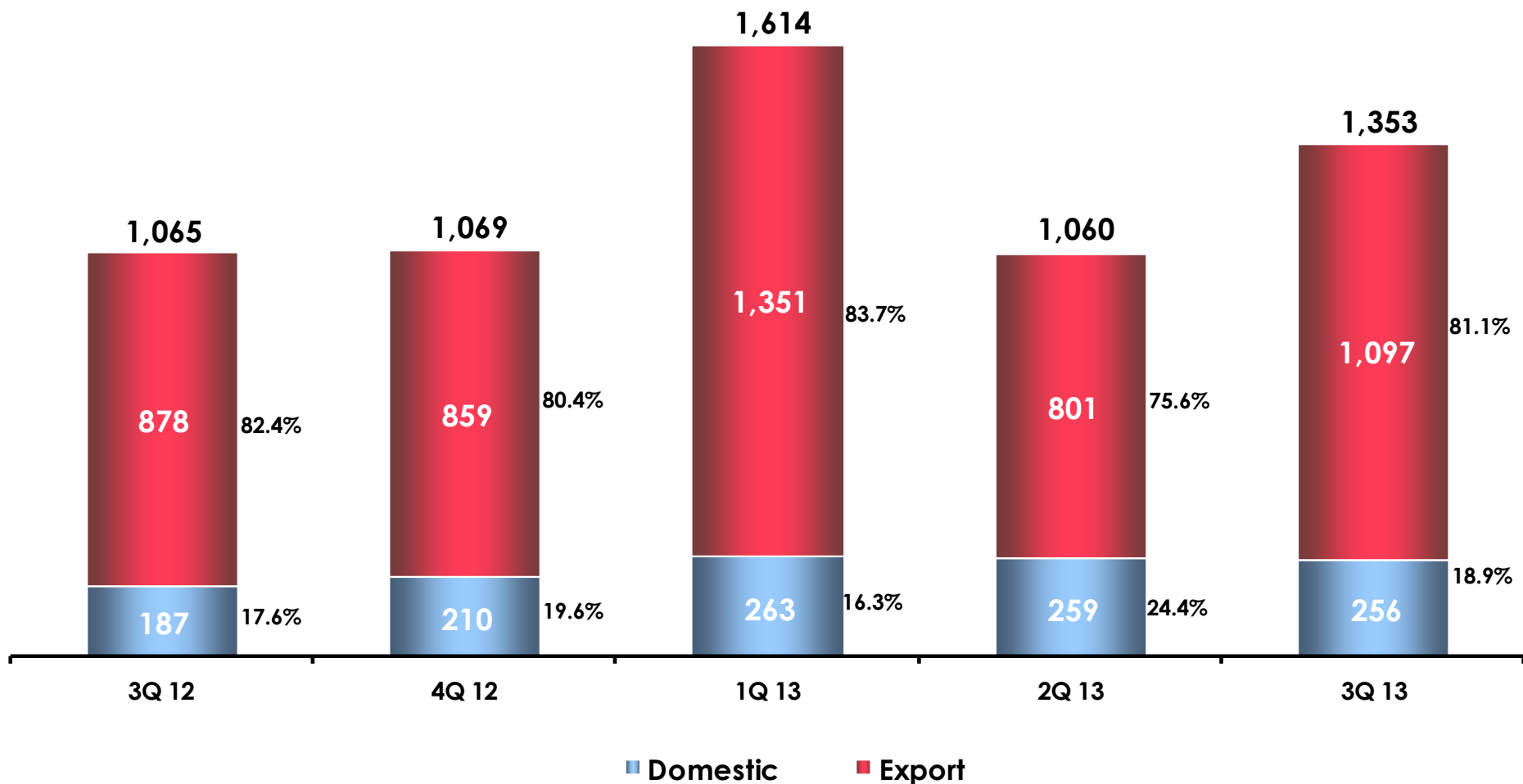


- Y-o-Y increase in natural gas sales volumes was due to increased purchases, as well as increased natural gas production at the Yurkharov field resulting from the launch of the fourth stage of the second phase development in October 2012
- Our proportion of natural gas sold to end-customers increased Y-o-Y due to higher natural gas deliveries to Moscow and the Moscow region through our wholly owned subsidiary NOVATEK Moscow region established in December 2012, as well as to the Kostroma region as a result of the acquisition of a regional natural gas trader Gazprom mezhregiongas Kostroma in December 2012 (NOVATEK-Kostroma since February 2013). In addition, we concluded new gas sales contracts with end-customers in 2012

Natural Gas Sales Volume Mix



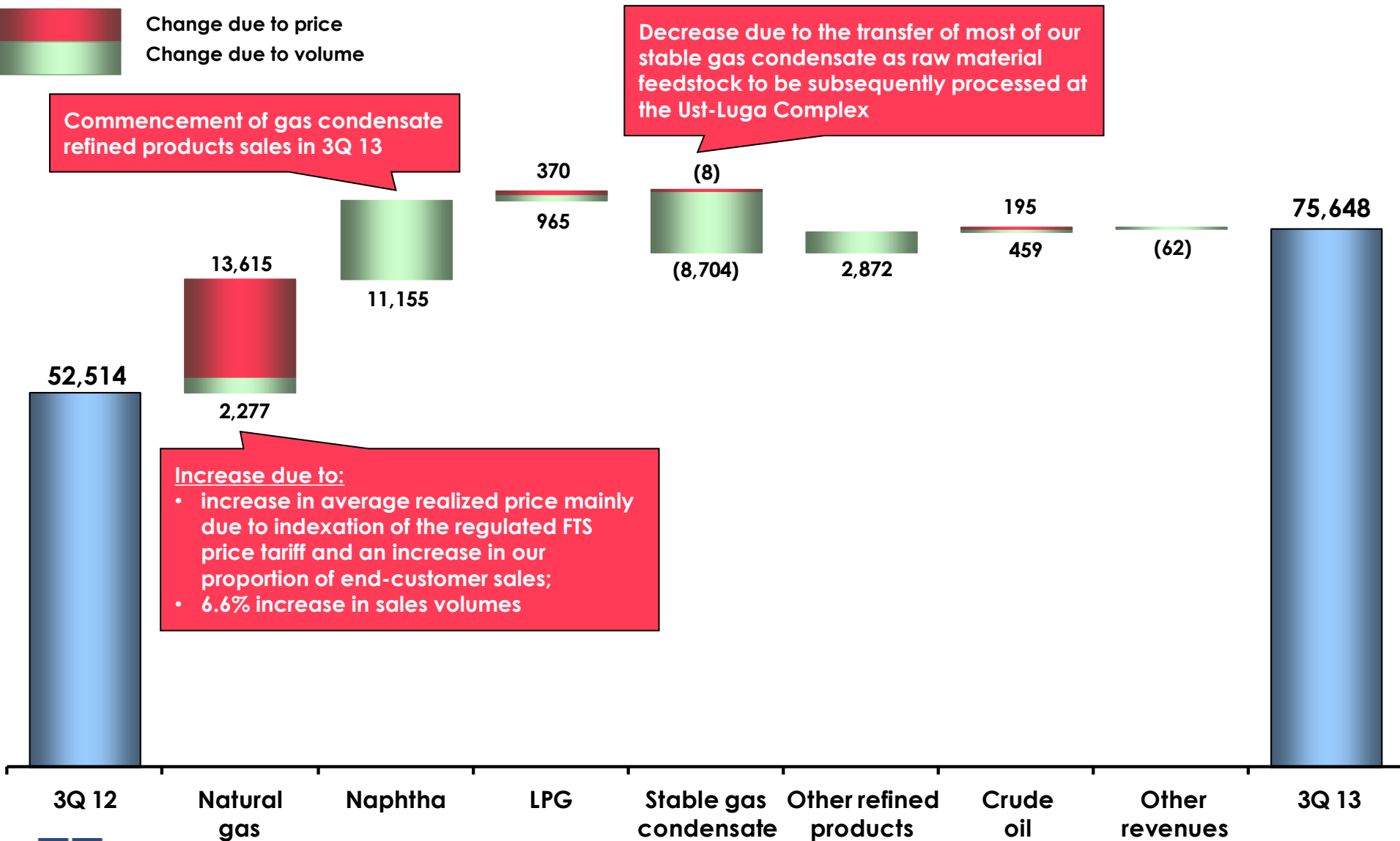
Market Distribution – Liquids Sales Volumes (mt)



Y-o-Y and Q-o-Q increase in liquids sales volumes was due to:

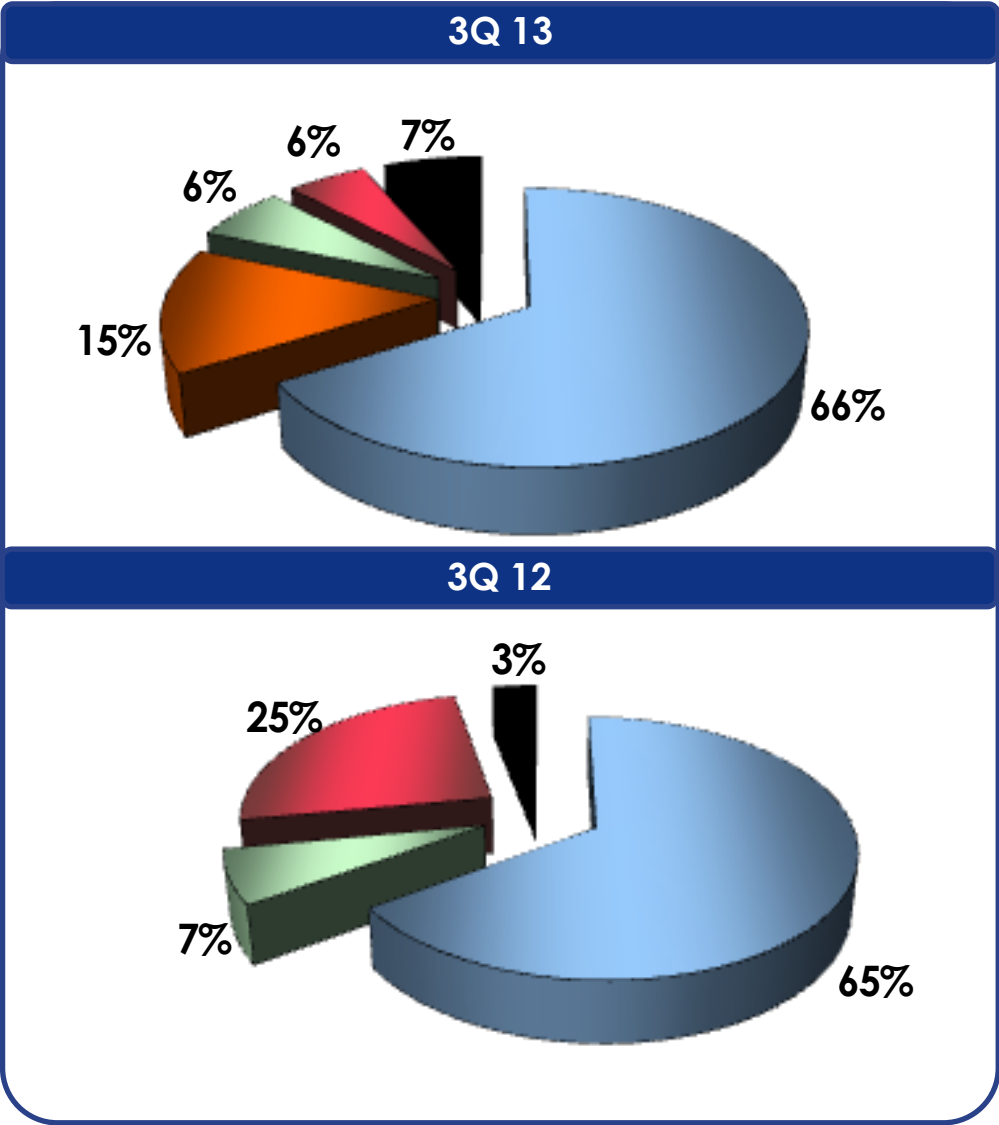
- a significant increase in unstable gas condensate purchases from the Group's joint ventures and an increase in crude oil production

Total Revenues (RR million)



Total Revenues Breakdown

- Natural gas
- Naphtha
- LPG
- Stable gas condensate
- Other



Realized Hydrocarbon Prices (net of VAT and export duties)

3Q 12	3Q 13	+ / (-)	+ / (-)%		2Q 13	3Q 13	+ / (-)	+ / (-)%	
<u>Domestic prices</u>									
3,050	3,659	609	20.0%	Natural gas end-customers, RR/mcm	3,117	3,659	542	17.4%	
1,619	1,973	354	21.9%	Natural gas ex-field, RR/mcm	1,581	1,973	392	24.8%	
12,278	13,720	1,442	11.7%	Stable gas condensate, RR/ton	11,661	13,720	2,059	17.7%	
14,199	15,410	1,211	8.5%	LPG, RR/ton	13,250	15,410	2,160	16.3%	
11,144	13,052	1,908	17.1%	Crude oil, RR/ton	10,654	13,052	2,398	22.5%	
<u>Export market</u>									
17,629	18,119	490	2.8%	Stable gas condensate, RR/ton	14,114	18,119	4,005	28.4%	
-	19,859	n/a	n/a	Naphtha, RR/ton	-	19,859	n/a	n/a	
-	22,386	n/a	n/a	Other gas condensate refined products, RR/ton	-	22,386	n/a	n/a	
20,191	21,316	1,125	5.6%	LPG, RR/ton	17,750	21,316	3,566	20.1%	
13,133	13,023	(110)	-0.8%	Crude oil, RR/ton	11,165	13,023	1,858	16.6%	

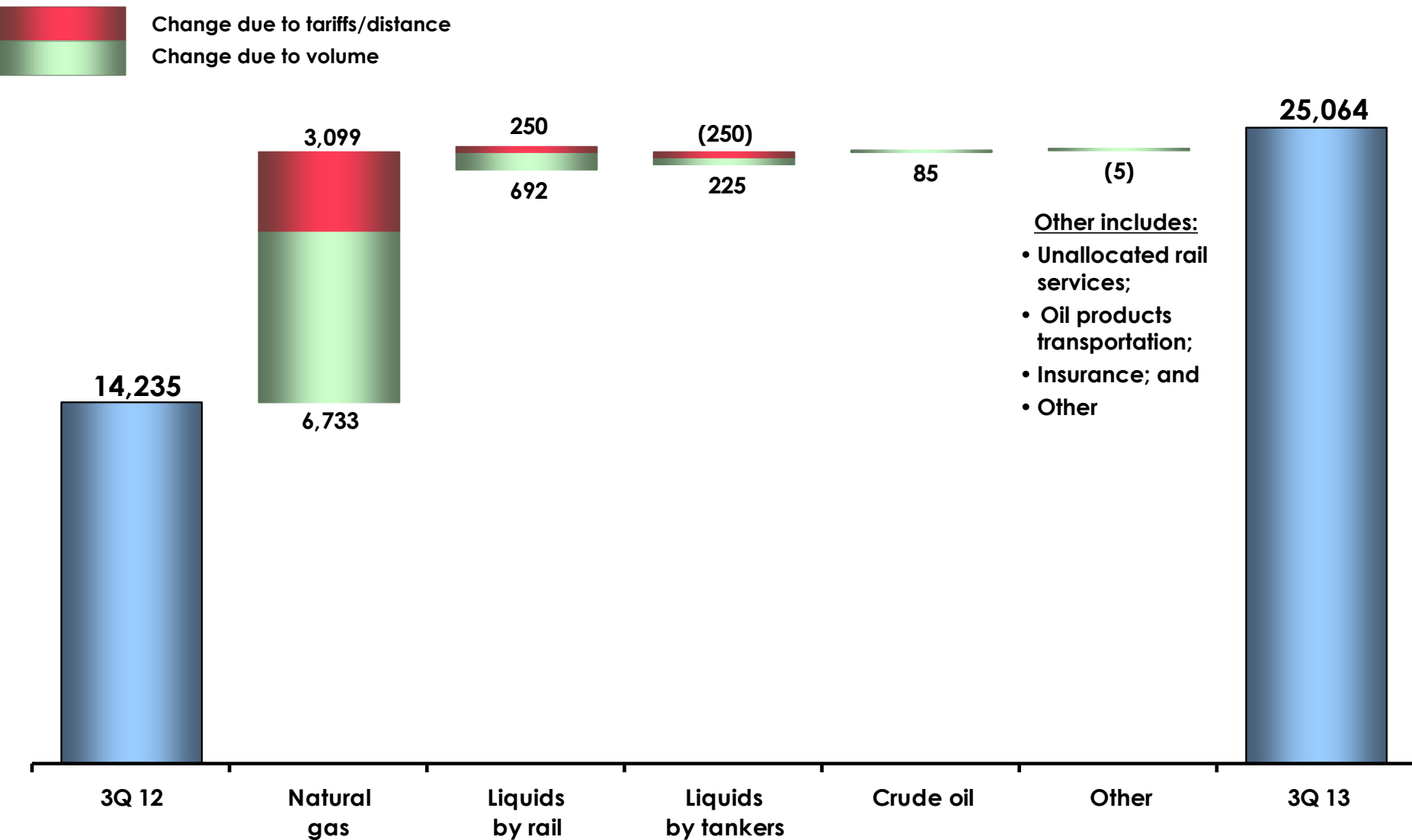
Note: Prices are shown excluding trading activities and excluding natural gas volumes purchased for resale in the location of end-customers in 2012

Operating Expenses (RR million and % of Total Revenues (TR))

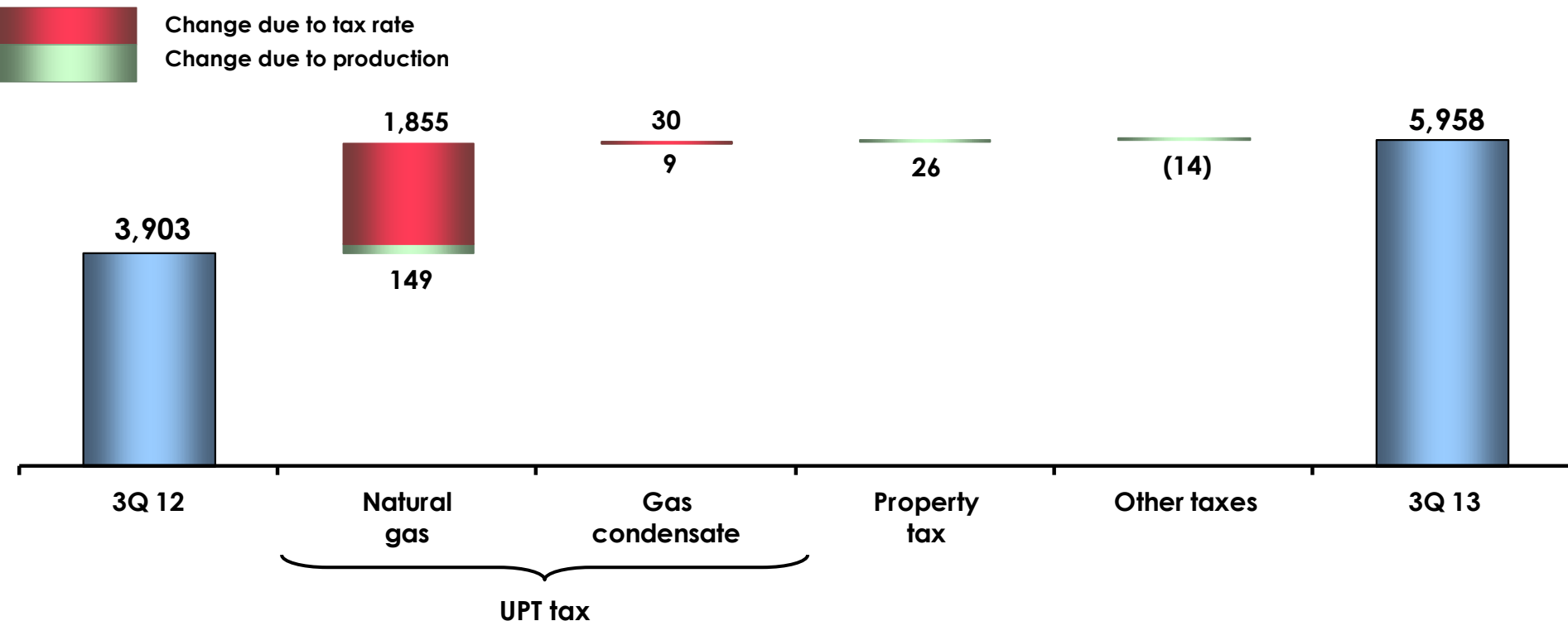
3Q 12	% of TR	3Q 13	% of TR		2Q 13	% of TR	3Q 13	% of TR
14,235	27.1%	25,064	33.1%	Transportation expenses	22,859	39.4%	25,064	33.1%
3,903	7.4%	5,958	7.9%	Taxes other than income tax	4,436	7.6%	5,958	7.9%
18,138	34.5%	31,022	41.0%	Non-controllable expenses	27,295	47.0%	31,022	41.0%
2,658	5.1%	3,589	4.7%	Depreciation and amortization	3,054	5.3%	3,589	4.7%
2,147	4.1%	2,610	3.5%	General and administrative	2,258	3.9%	2,610	3.5%
1,716	3.3%	2,248	3.0%	Materials, services & other	1,866	3.2%	2,248	3.0%
330	0.6%	26	n/m	Exploration expenses	239	0.4%	26	n/m
(15)	n/m	14	n/m	Net impairment expenses (reversals)	68	n/m	14	n/m
(178)	n/m	(947)	n/m	Change in natural gas, liquids and WIP	(2,057)	n/m	(947)	n/m
24,796	47.2%	38,562	50.9%	Subtotal operating expenses	32,723	56.4%	38,562	50.9%
4,832	9.2%	8,518	11.3%	Purchases of natural gas and liquid hydrocarbons	6,890	11.9%	8,518	11.3%
29,628	56.4%	47,080	62.2%	Total operating expenses	39,613	68.3%	47,080	62.2%

- ❑ Operating expenses increased Y-o-Y by 58.9% due to an increase in transportation expenses and purchases of natural gas and liquid hydrocarbons
- ❑ Transportation expenses increased Y-o-Y due to a 64.1% increase in our sales volumes of natural gas to end-customers for which we incurred transportation costs, a 6.4% average increase in the natural gas transportation tariff set by the FTS effective from 1 August 2013, as well as an increase in average transportation distance due to higher natural gas deliveries to Moscow, and the Moscow, Vologda and Kostroma regions
- ❑ Taxes other than income tax increased Y-o-Y primarily due to a 5.6% and further 51.7% increases in the natural gas UPT rate from 1 January and 1 July 2013, respectively, and, to a lesser extent, a 5.1% increase in production volumes of natural gas
- ❑ Our hydrocarbon purchases increased Y-o-Y by 76.3% due to an increase in natural gas purchases from our joint ventures and, to a lesser extent, related parties, as well as an increase in purchases of unstable gas condensate from SeverEnerga (Arcticgas) combined with the commencement of purchases from Nortgas effective from November 2012
- ❑ Depreciation, depletion and amortization expense increased Y-o-Y as a result of the Ust-Luga Complex launch in June 2013 and an increase in our depletable cost base, as well as an increase in our total hydrocarbon production in barrels of oil equivalent

Transportation Expenses (RR million)

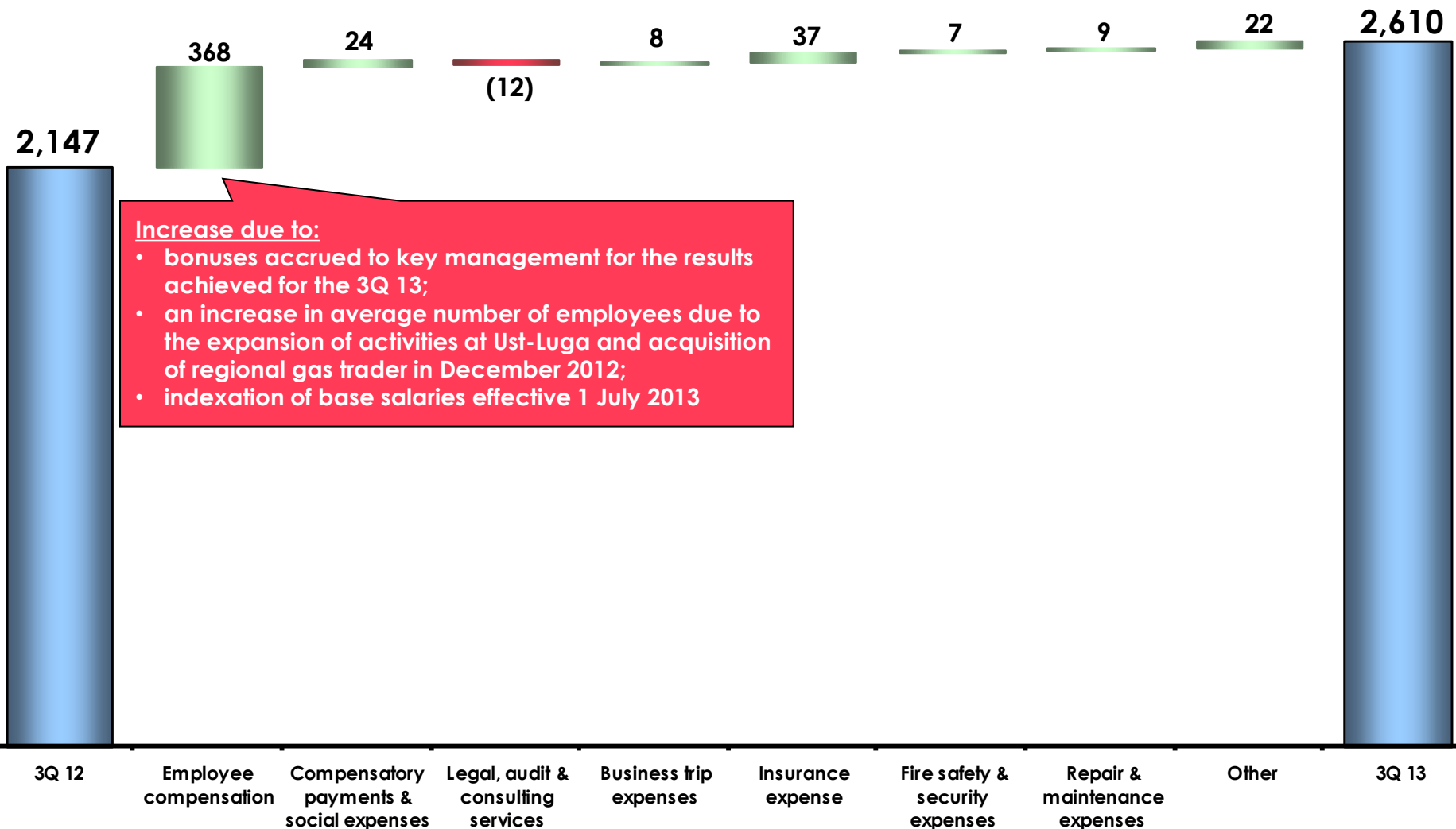


Taxes Other Than Income Tax Expense (RR million)



- The increase in UPT expense was primarily due to a 5.6% and a 51.7% increases in the natural gas production tax rates effective from 1 January 2013 and 1 July 2013, respectively, and, to a lesser extent, a 5.1% increase in our natural gas production volumes
- Effective from 1 January 2012, we utilize a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields according to the Russian Tax Code
- The increase in property tax expense was due to the launch of the Ust-Luga Complex in June 2013

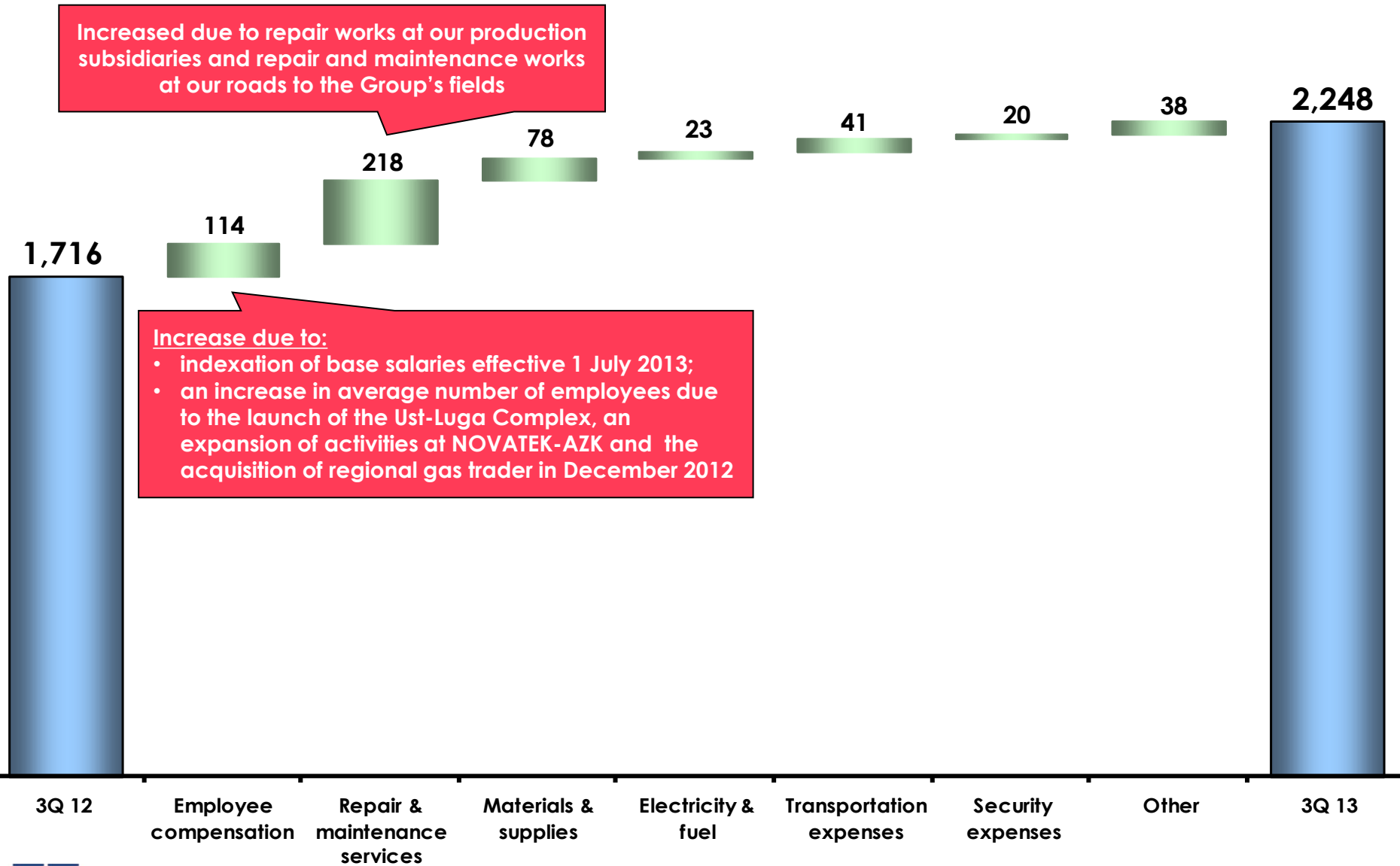
General and Administrative Expenses (RR million)



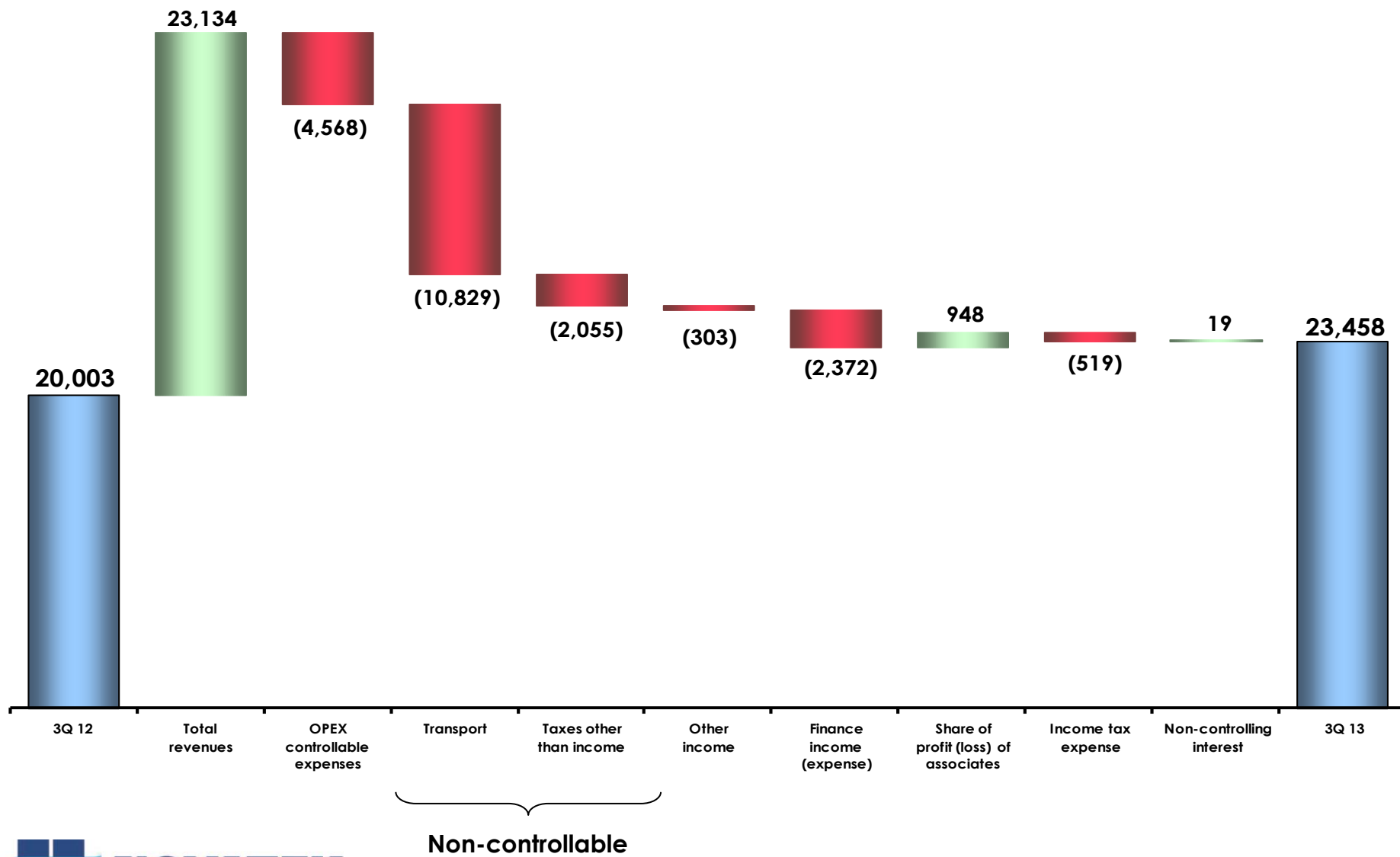
Increase due to:

- bonuses accrued to key management for the results achieved for the 3Q 13;
- an increase in average number of employees due to the expansion of activities at Ust-Luga and acquisition of regional gas trader in December 2012;
- indexation of base salaries effective 1 July 2013

Materials, Services and Other Expenses (RR million)

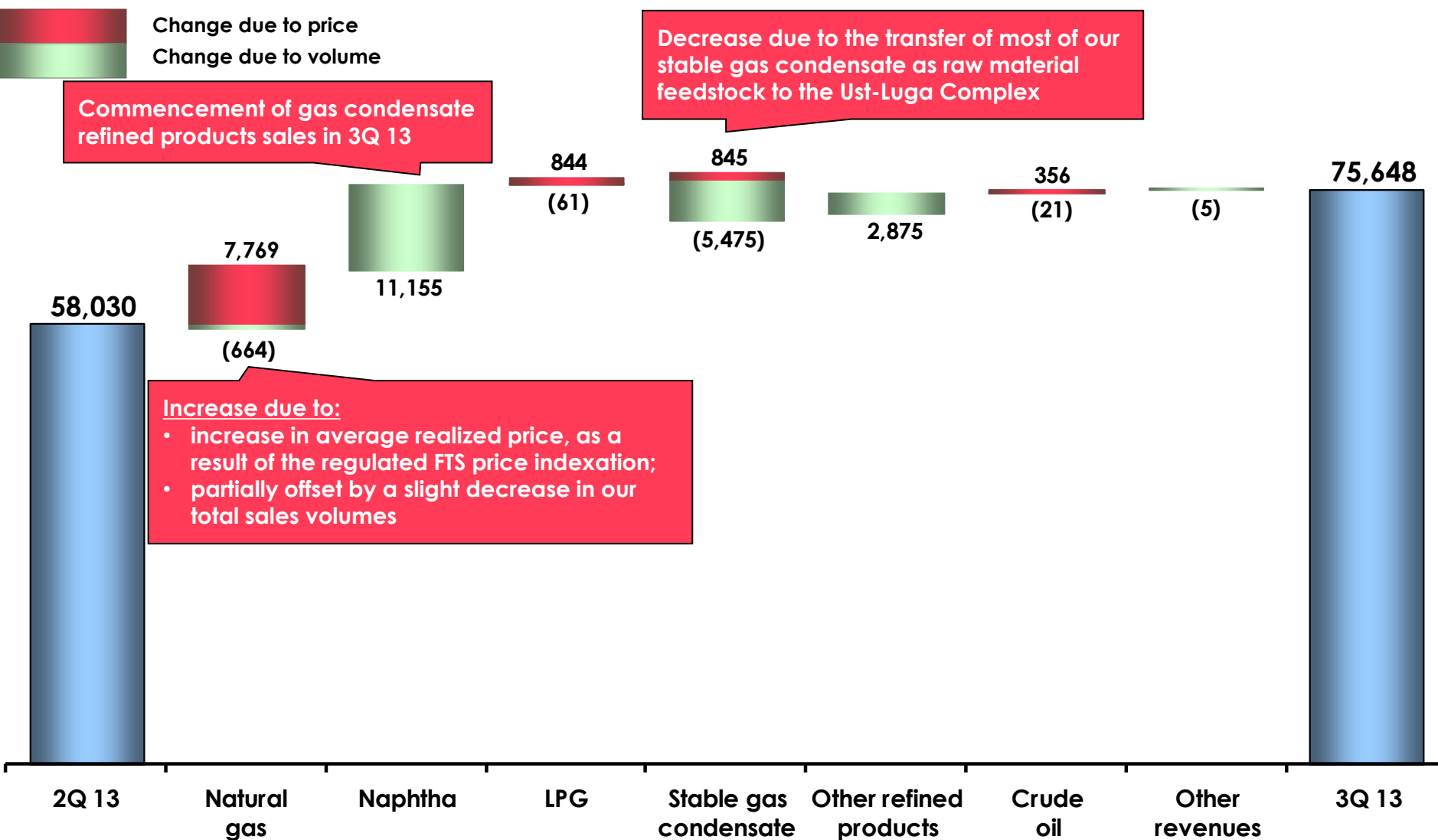


Profit Attributable to NOVATEK Shareholders (RR million)



Financial Overview – 3Q 13 vs. 2Q 13

Total Revenues (RR million)



Total Revenues Breakdown

■ Natural gas

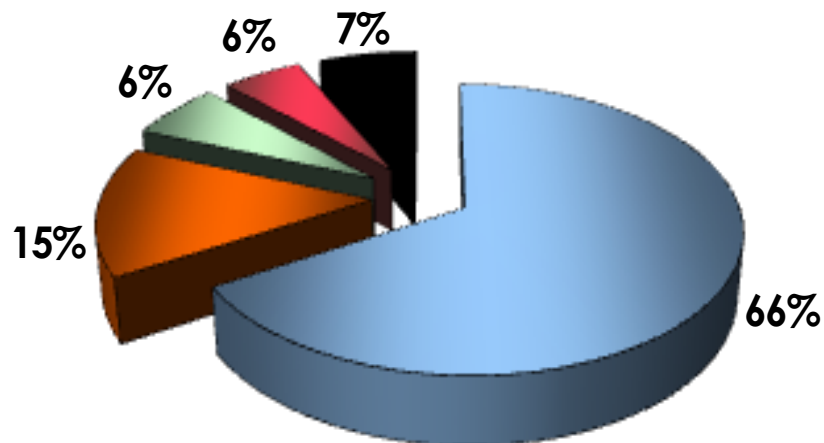
■ Naphtha

■ LPG

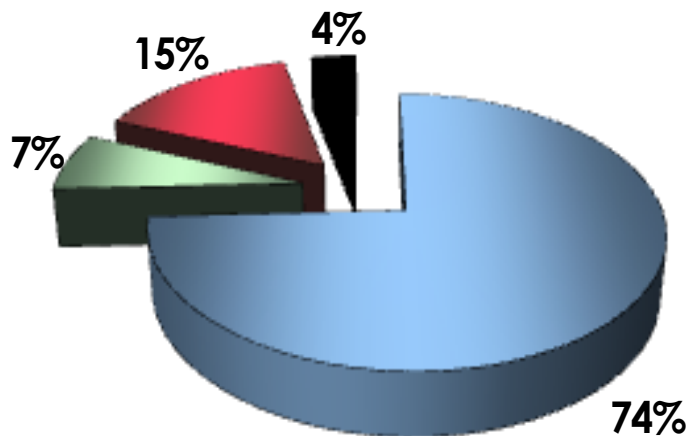
■ Stable gas condensate

■ Other

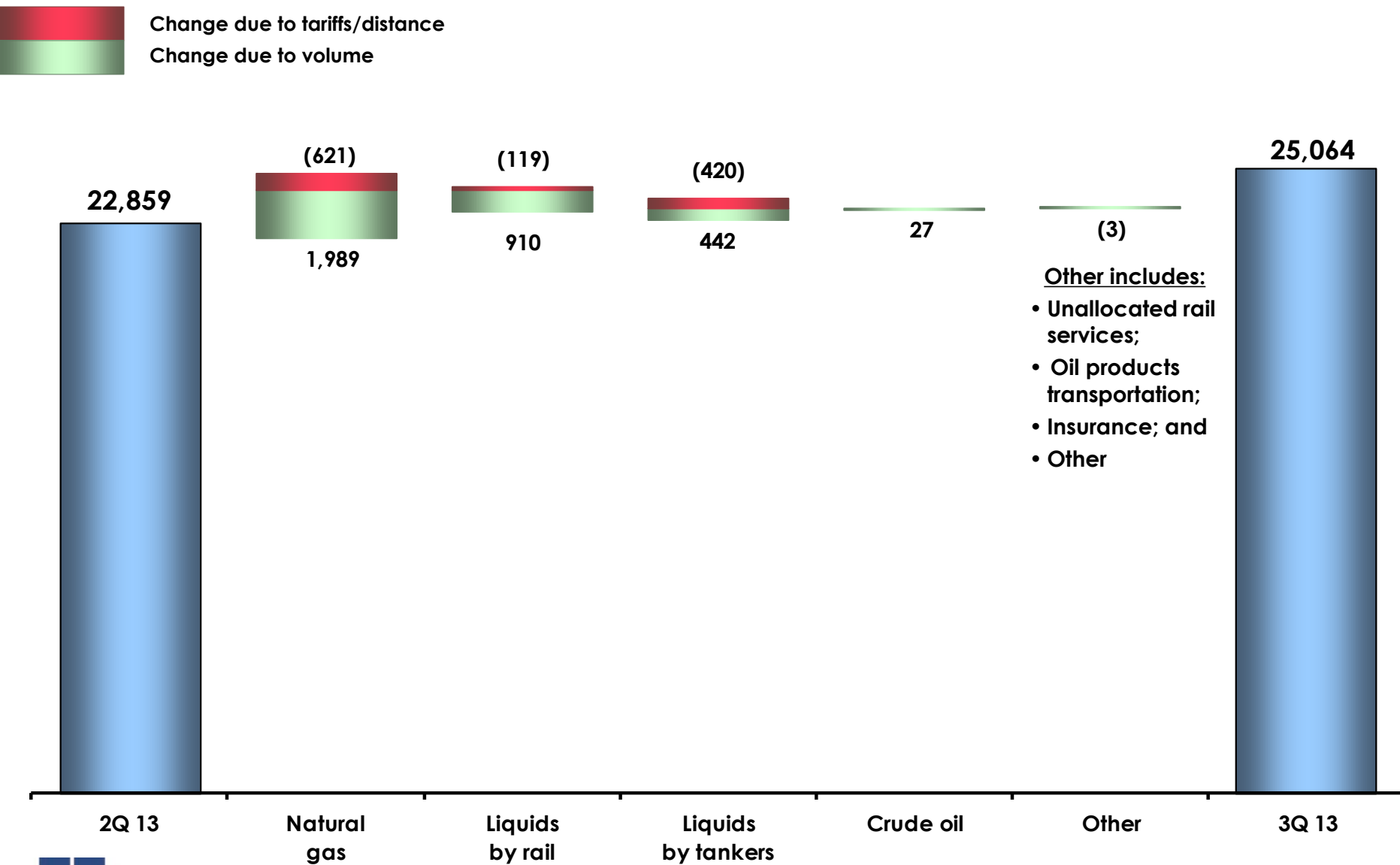
3Q 13



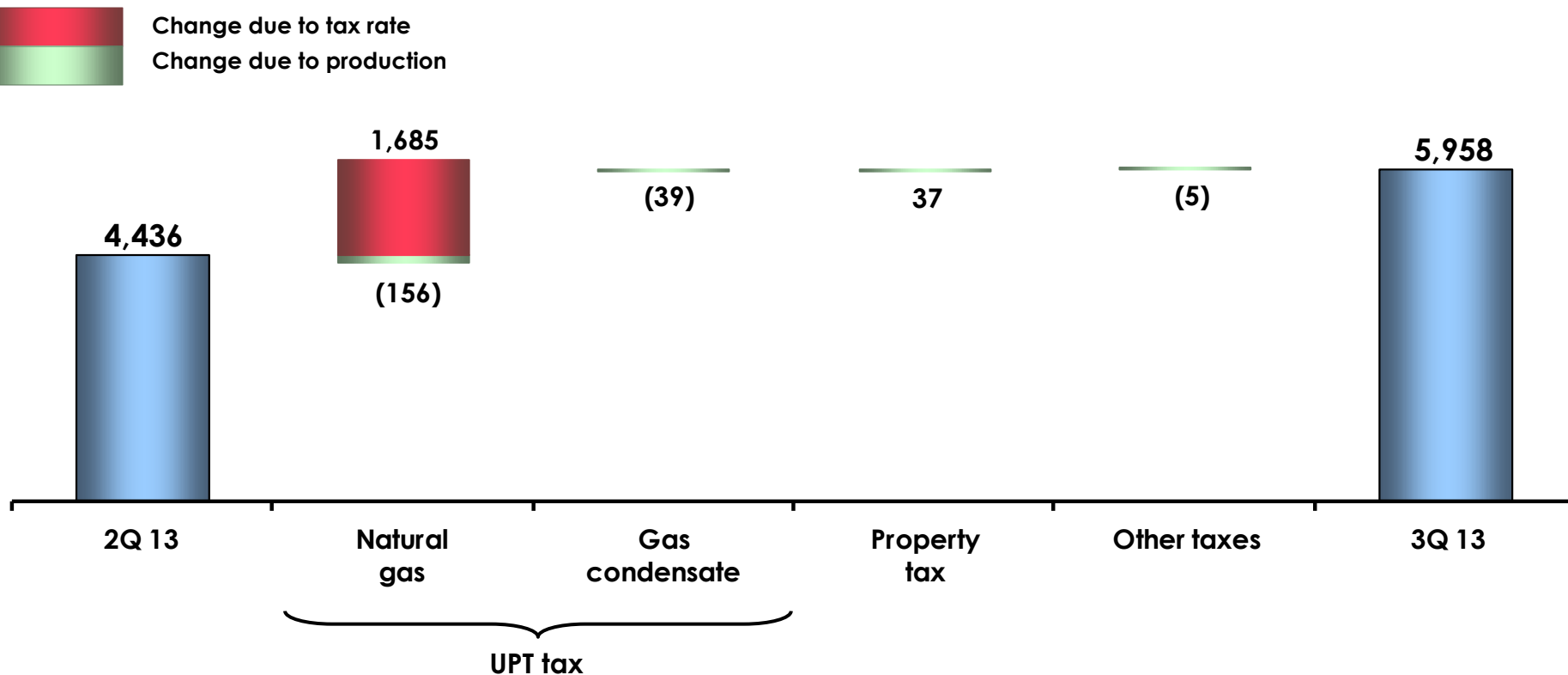
2Q 13



Transportation Expenses (RR million)

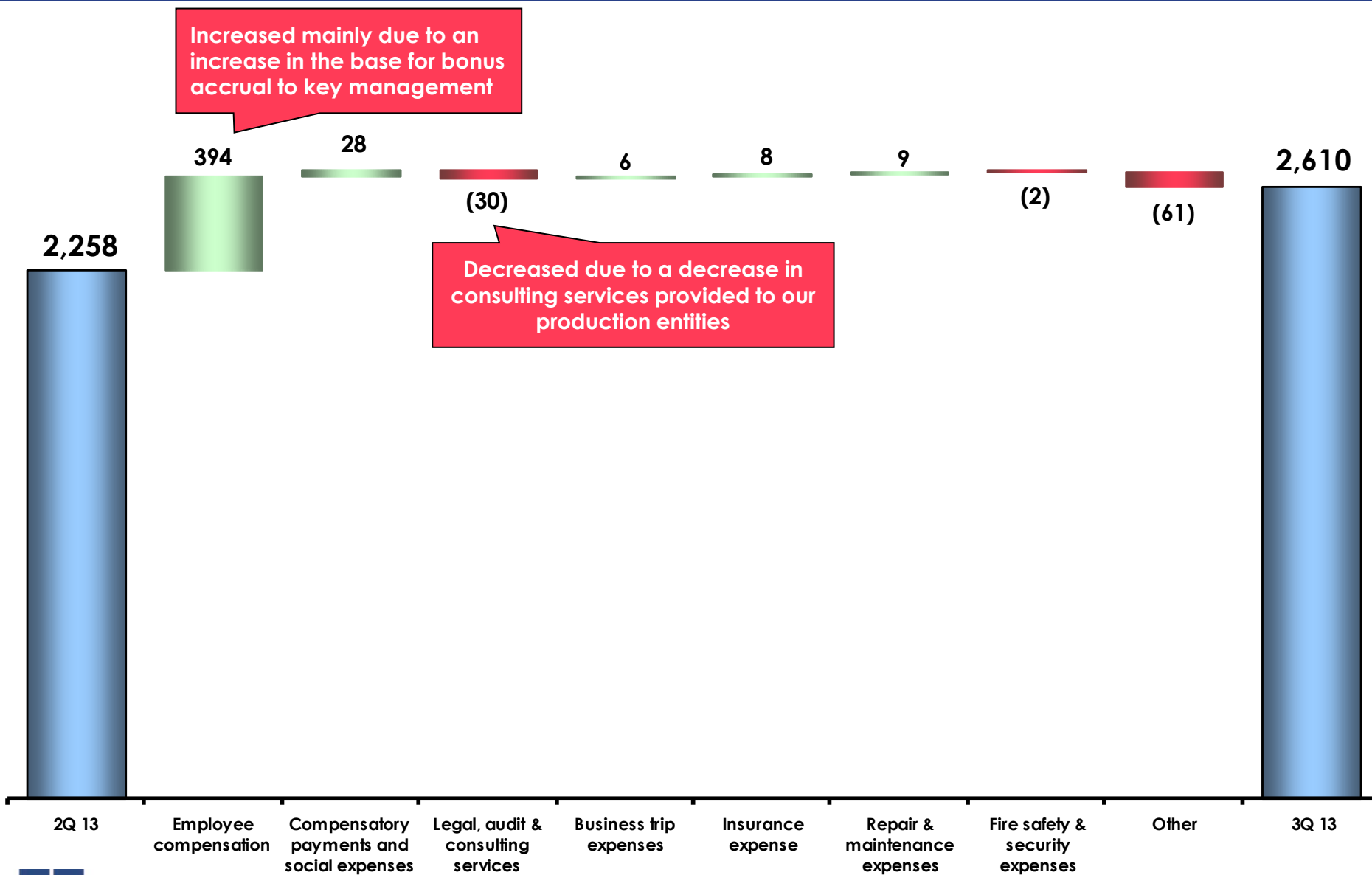


Taxes Other Than Income Tax Expense (RR million)

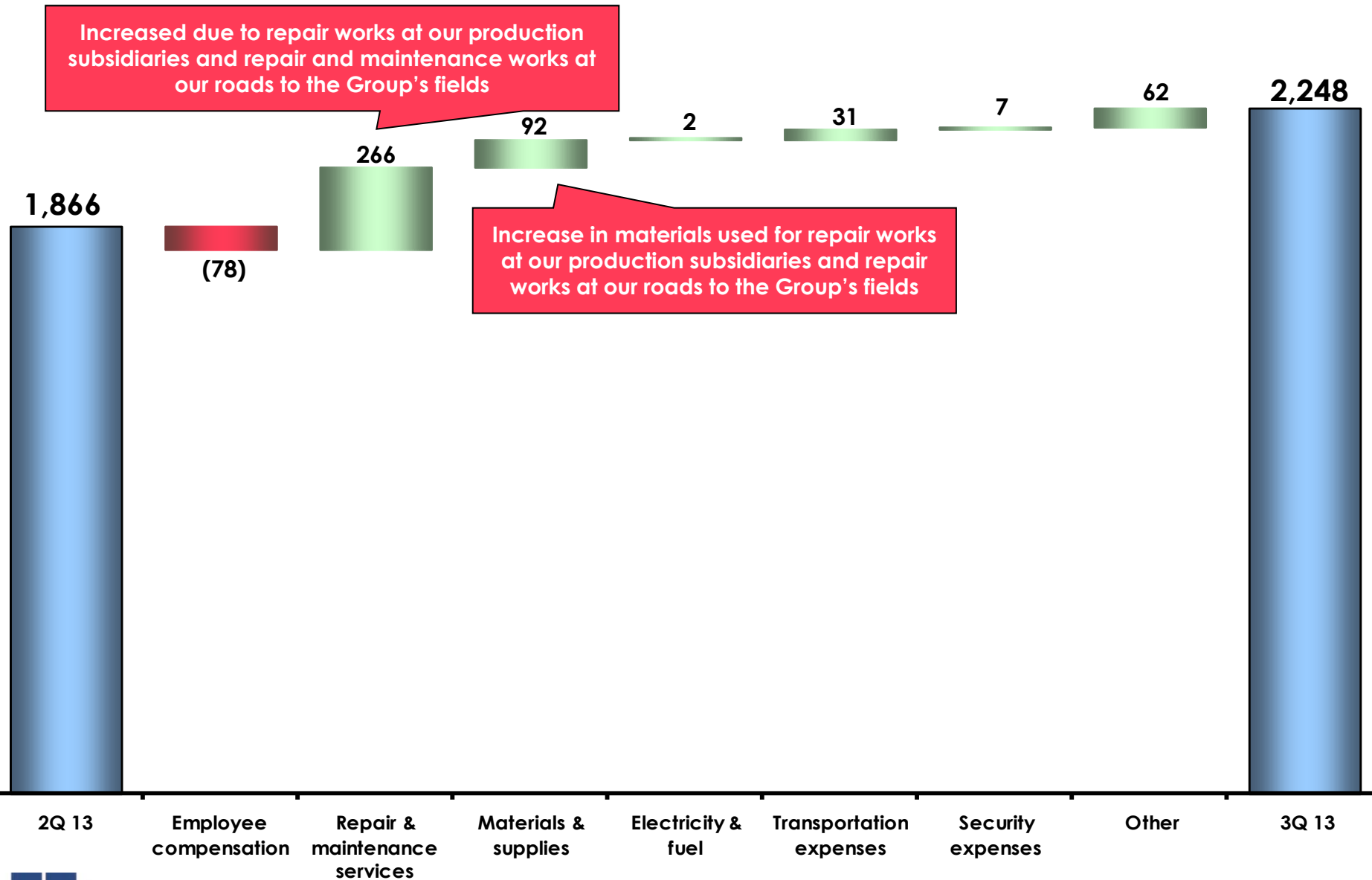


- ❑ The increase in UPT expense was due to a 51.7% increase in our natural gas production tax rate effective from 1 July 2013, which was partially offset by a 4.6% decrease in our natural gas production volumes
- ❑ We apply a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields in both periods in accordance with the Russian Tax Code
- ❑ The increase in property tax expense was due to the launch of the Ust-Luga Complex in June 2013

General and Administrative Expenses (RR million)

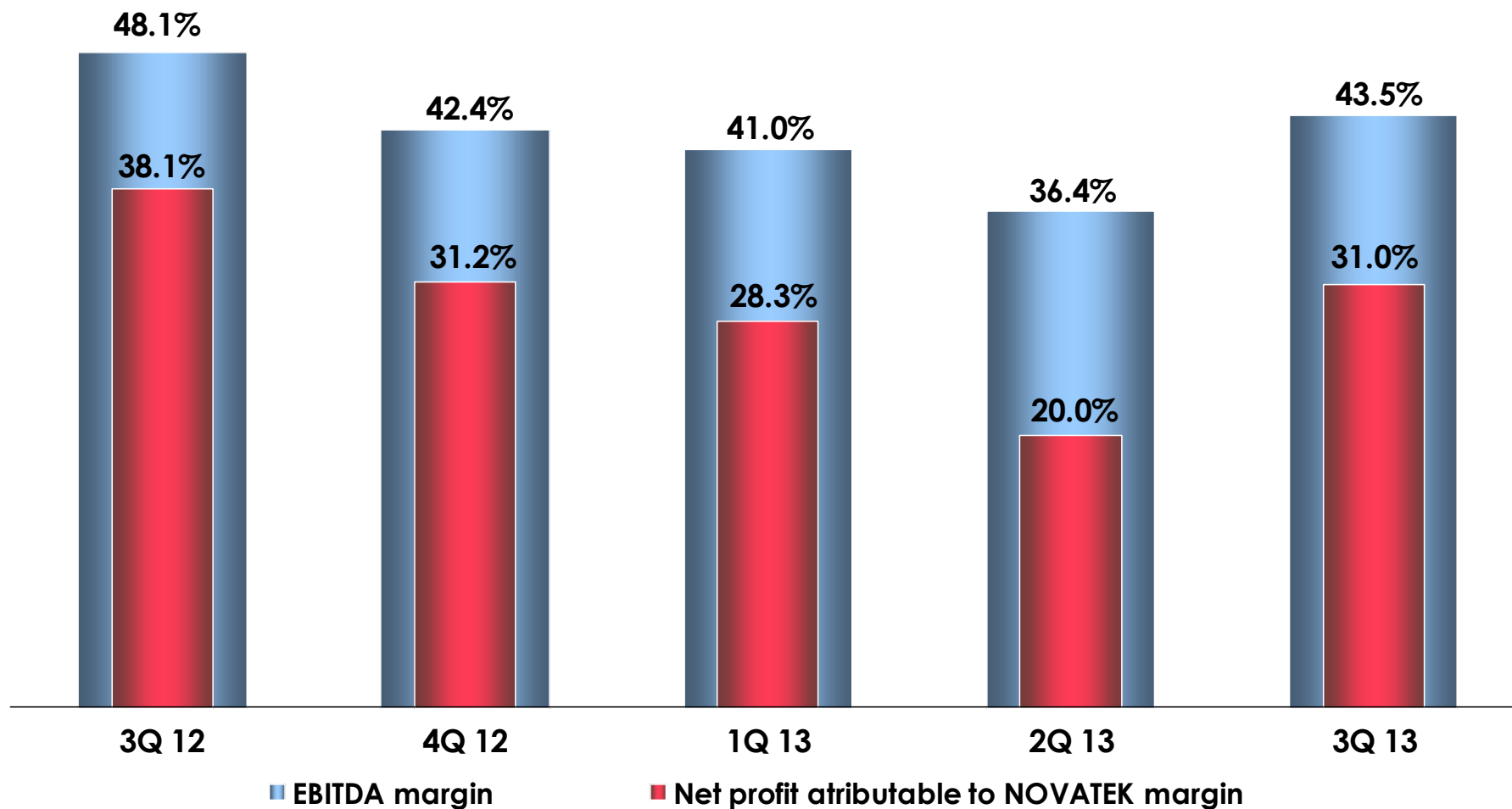


Materials, Services and Other Expenses (RR million)



Appendices

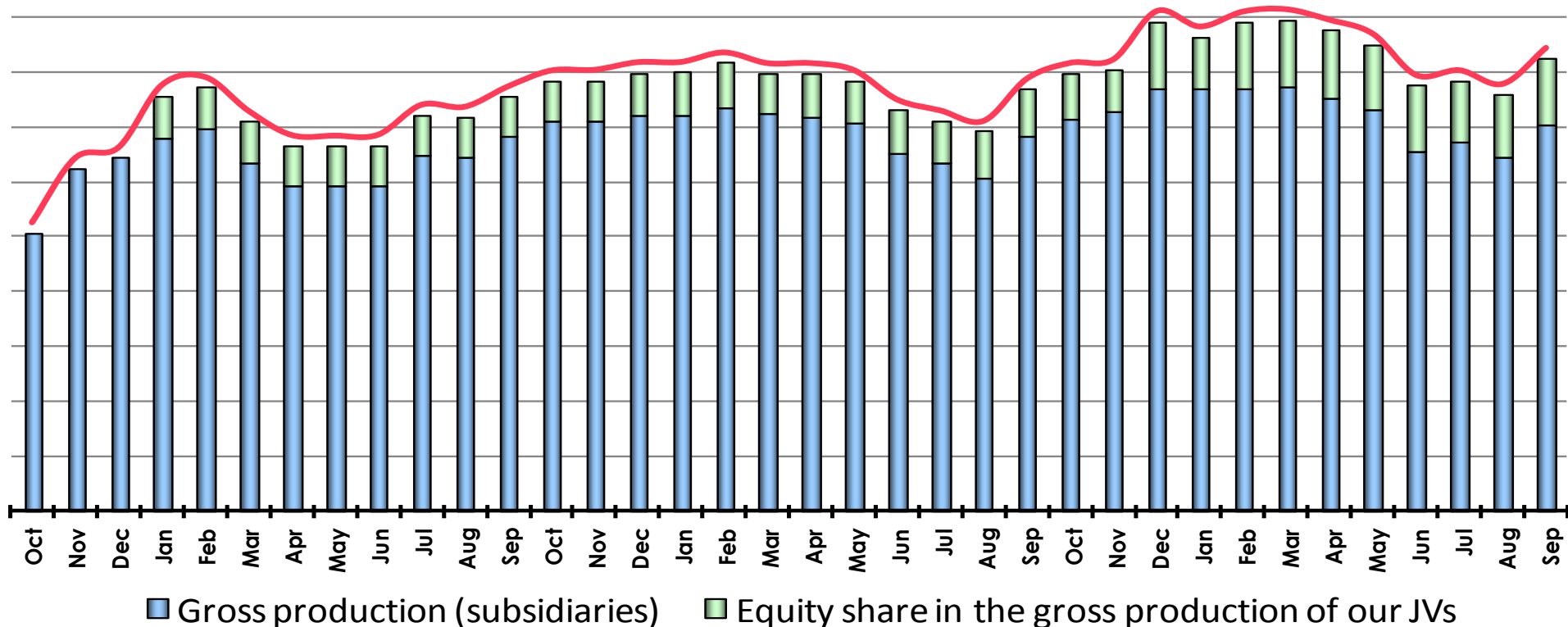
Maintaining Margins (% of total revenues)



Notes:

EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense and finance income (expense) from the Consolidated Statement of Income, income (loss) from changes in fair value of derivative financial instruments from the "Financial instruments and financial risk factors" in the notes to the IFRS consolidated financial statements

Increasing Natural Gas Production (mmcm per day)



2010

2010 Avg.
103 mmcm/day
3,655 bcf/day

2011

2011 Avg.
147 mmcm/day
5,180 bcf/day

2012

2012 Avg.
157 mmcm/day
5,531 bcf/day

2013

3Q 13 Avg.
158 mmcm/day
5,576 bcf/day

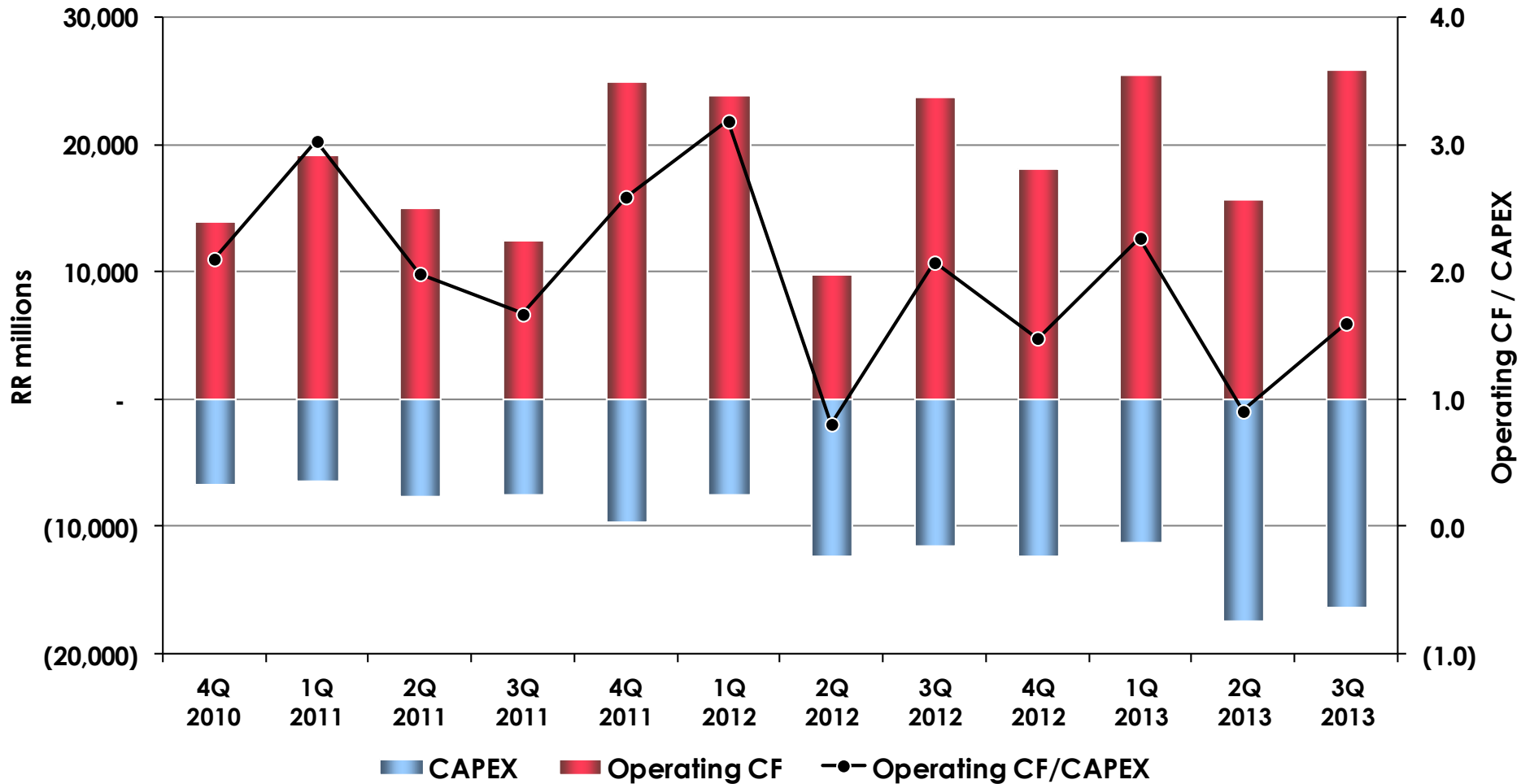
3Q 12 Avg.
145 mmcm/day
5,112 bcf/day

9M 13 Avg.
168 mmcm/day
5,926 bcf/day

Condensed Balance Sheet (RR million)

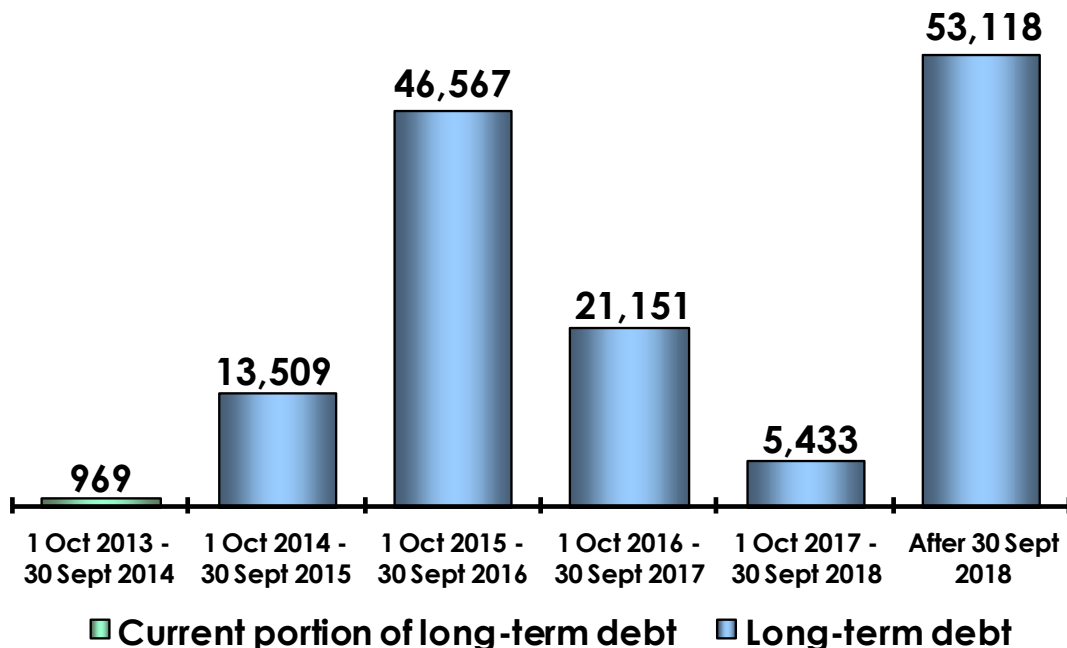
	30 September 2013	31 December 2012	+ / (-)	+ / (-)%
Total current assets	53,536	58,243	(4,707)	-8.1%
<i>Incl. Cash and cash equivalents</i>	10,339	18,420	(8,081)	-43.9%
Total non-current assets	447,713	404,890	42,823	10.6%
<i>Incl. Net PP&E</i>	235,441	197,376	38,065	19.3%
Assets held for sale	24,306	-	n/a	n/a
Total assets	525,555	463,133	62,422	13.5%
Total current liabilities	27,163	55,130	(27,967)	-50.7%
<i>Incl. ST & current portion of LT debt</i>	969	34,682	(33,713)	-97.2%
Total non-current liabilities	162,126	116,702	45,424	38.9%
<i>Incl. Deferred income tax liabilities</i>	17,630	13,969	3,661	26.2%
<i>Incl. LT debt</i>	139,778	97,805	41,973	42.9%
Total liabilities	189,289	171,832	17,457	10.2%
Total equity	336,266	291,301	44,965	15.4%
Total liabilities & equity	525,555	463,133	62,422	13.5%

Internally Funded Investment Program



Core investments in upstream exploration, production and processing facilities funded primarily through internal cash flows

Total Debt Maturity Profile (RR million)



The Group has available funds:

- ✓ ZAO BNP PARIBAS Bank – USD 100 mln until September 2014
- ✓ Credit Agricole Corporate and Investment Bank – USD 100 mln until April 2014
- ✓ Syndicated term credit line facility – USD 750 mln until June 2014
- ✓ ZAO UniCredit Bank – USD 350 mln until August 2015
- ✓ Credit lines in the form of bank overdrafts – USD 255 mln

Debt repayment schedule:

Up to 30 September 2014 – Sumitomo Mitsui Banking Corporation Europe Limited

Up to 30 September 2015 – Sberbank loan, Syndicated term credit line facility

Up to 30 September 2016 – Eurobonds Five-Year (USD 600 mln), RR denominated bonds (RR 20 bln) and Syndicated term credit line facility

Up to 30 September 2017 – Eurobonds Four-Year (RR 14 bln) and Syndicated term credit line facility

Up to 30 September 2018 – Syndicated term credit line facility

After 30 September 2018 – Eurobonds Ten-Year (USD 650 mln) and Eurobonds Ten-Year (USD one bln)

Questions and Answers